UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

ROBERT FIREMAN and ANN RAIDER,

Plaintiffs,

Civil Action No.

NEWS AMERICA MARKETING IN-STOMAGISTRATE JUDGE

INC.,

v.

Defendant.

NOTICE OF REMOVAL

RECEIPT #

SUMMONS ISSUED

LOCAL RULE 4.1_

WAIVER FORM.

MCF ISSUFD_

DATE

Defendant News America Marketing In-Store, Inc. (hereinafter "News America") files this Notice of Removal of the civil action filed against it by plaintiffs Robert Fireman and Ann Raider to the United States District Court for the District of Massachusetts, pursuant to the provisions of 28 U.S.C. §§ 1441, 1446, and 1332, on the basis of the following facts that show this case is properly removable:

- 1. Plaintiffs filed a complaint against defendant in Suffolk County Superior Court on August 8, 2005. The case is styled *Robert Fireman and Ann Raider v. News America Marketing In-Store, Inc.*, Suffolk (Massachusetts) Superior Court, Civil Action No. 05-3378. (A true copy of the Complaint is attached hereto as Exhibit A.)
- The time within which defendant is required by the laws of the United States, 28
 U.S.C. § 1446(b), to file this Notice of Removal has not yet expired.
- 3. Plaintiff Robert Fireman is an individual residing at 241 Perkins Street, #D-104, Jamaica Plain, Massachusetts. (See Complaint, Ex. A hereto).
- 4. Plaintiff Ann Raider is an individual residing at 46 Ivy Road, Wellesley, Massachusetts. (See Complaint, Ex. A hereto).

- 5. Defendant News America is incorporated under the laws of the State of Delaware and its principal place of business in New York, New York.
- 6. This action is a civil action which may be removed to this Court by defendant pursuant to the provisions of 28 U.S.C. § 1441 in that it is a civil action between citizens of different states with an amount in controversy exceeding \$75,000, exclusive of interest and costs. Specifically, the plaintiff seeks declaratory relief and damages as a result of defendant's alleged breach of contract and violation of Mass. Gen. Laws c. 93A, §11, in an amount in excess of five million dollars (\$5,000,000).
- 7. Venue is proper pursuant to 28 U.S.C. §1442(a), because this court is the United States District Court for the district and division embracing the place wherein the state court action is pending.
- 8. Pursuant to 28 U.S.C. §1446(d), a copy of this Notice of Removal is being filed with the Civil Division of the Suffolk County Superior Court.
- 9. Pursuant to Local Rule 81.1(a), certified or attested copies of all records, proceedings and docket entries in the Suffolk Superior Court action shall be filed with this Court within thirty (30) days.

NEWS AMERICA MARKETING INSTORE, INC.

By its attorneys,

Gordon P. Katz (BBO# 261080)

Taya J. Myslinski (BBO #644936)

HOLLAND & KNIGHT LLP

10 St. James Avenue Boston, MA 02116

(617) 523-2700

Dated:

August 22, 2005

Boston, Massachusetts

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was furnished by first class mail, postage pre-paid, to Kevin T. Peters, Todd & Weld LLP, 28 State Street, 31st Floor, Boston, Massachusetts 02109, counsel for plaintiffs this 23rd day of August, 2005.

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COMMONWEALTH OF MASSACHUSETTS TRIAL COURT

SUFFOLK, SS.	SUPERIOR COURT DEPT. CIVIL ACTION NO
ROBERT FIREMAN and ANN RAIDER)	J5-3378
Plaintiffs,	
v.)	SOFFOLK S CIVIC CLERX/M CLERX/M
NEWS AMERICA MARKETING)	%
IN-STORE, INC.	PH SER
) Defendant.)	OR COURT OFFICE UF 2-

COMPLAINT AND JURY DEMAND

Robert Fireman and Ann Raider, by and through their attorneys, bring this action against News America Marketing In-Store, Inc. for breach of the covenant of good faith and fair dealing and violation of Massachusetts General Laws, Chapter 93A, §11.

Plaintiffs also seek a declaration of rights under Mass. Gen. L. ch. 231A, § 1 et. seq. For their complaint, plaintiffs state as follows:

PARTIES

- Plaintiff Robert Fireman ("Fireman") is a resident of the Commonwealth of Massachusetts, and resides at 241 Perkins Street, #D-104, Jamaica Plain, Massachusetts.
- Plaintiff Ann Raider ("Raider") is a resident of the Commonwealth of
 Massachusetts, and resides at 46 Ivy Road, Wellesley, Massachusetts.
- 3) On information and belief, defendant News America Marketing In-Store, Inc. ("NAM") is a corporation duly organized under the laws of the State of Delaware,

Filed 08/<u>23</u>/2005

and is a wholly owned subsidiary of News Corporation. On information and belief, NAM maintains a principle place of business at 1211 Avenue of the Americas, New York, New York. NAM's agent within the Commonwealth of Massachusetts for service of process is Corporation Service Company, 84 State Street, Boston, Massachusetts 02109.

FACTS COMMON TO ALL COUNTS

- Raider and Fireman founded Consumer Card Marketing, Inc. ("CCMI") in 4) 1991. CCMI developed and implemented the concept of building consumer loyalty programs primarily for supermarket, drug, and specialty retail chain stores. In basic terms, CCMI built customer databases by providing chain-store customers with personal identification cards and key tags. Through CCMI's proprietary software tools and experience, retailers were able to track actual individual customer purchase behavior, identify their best customers for the first time, and develop targeted one-to-one marketing programs and reward programs for themselves or in concert with consumer packagegoods manufacturers.
- 5) From 1991 to 1999, CCMI grew to be an industry leader with a national reputation for excellence in the development and implementation of loyalty marketing programs. By 1999, CCMI's gross sales approached \$8 million.
- 6) With the proven success of its concept and the widespread acceptance of retailers to institute loyalty marketing programs, CCMI began to access to the customer purchase behavior. CCMI now needed to have a sales force that could solicit consumer package manufacturers to participate in CCMI's retailer-supported direct marketing programs. To grow this business, CCMI had to choose between raising investment

capital to build its own sales force or, alternatively, aligning with a larger company that had an existing sales force and existing relationships with the manufacturers. As the importance of time to market increased, Fireman and Raider explored both investment capital and strategic alliances.

- 7) In early 1999, NAM approached Raider and Fireman to discuss a business relationship with CCMI. CCMI wanted a business relationship with a highly visible, national company that was prepared to provide financial and other support sufficient to allow Fireman and Raider to pursue CCMI's business plan. Several companies approached Raider and Fireman about such an alliance and discussed multi-million dollar offers. NAM, a subsidiary of media giant News Corporation, seemed an excellent candidate. The parties began to discuss the terms of a strategic alliance. Fireman and Raider disclosed CCMI's business plan to NAM, and NAM ultimately agreed to support it. Given the commitments NAM was prepared to make to CCMI, it became clear to Fireman and Raider that NAM and CCMI should align.
 - 8) Among other commitments, NAM agreed that it would:
 - provide CCMI the immediate use of its experienced sales force with established relationship already generating hundreds of millions of dollars in sales;
 - provide CCMI's management with capital to acquire and expand software,
 enlarge CCMI's staff, and fund operational support consistent with CCMI's
 business plan; and
 - endeavor to expand CCMI's business to other markets and industries through
 NAM's relationships with worldwide affiliates of News Corporation, Fox,

Twentieth Century Fox, Fox Sports Net, the NFL, and Major League Baseball, among others.

- 9) NAM also represented that CCMI would continue to operate as an autonomous division, and allow Fireman and Raider to continue to manage the business from the Boston area. Both Fireman and Raider believed that this structure was crucial to the success of the proposed alliance, and their decision to go forward was induced in material part by NAM's representations. Fireman was to serve as General Manager of the division, and Raider was to act as Scnior Vice President of Sales and Marketing
- 10) Both before and after the closing, Raider and Fireman listed CCMI's key short-term requirements for CCMI to make its \$8.2 million benchmark sales from August 1999 to October 2000. NAM committed to meet those requirements.
- 11) On August 13, 1999, NAM, Fireman and Raider signed a Stock Purchase Agreement ("Agreement") pursuant to which Fireman and Raider sold all of their stock in CCMI to NAM. The terms of the sale were \$2.8 million cash and an earn-out over five years. The earn-out component of the purchase price was in two parts, both based on the company's (CCMI's or its successors') Gross Margin as defined in the Agreement.
- 12) The first component, the "Base Earn-Out Amount," was to be paid annually over five years, and was calculated as a percentage of the Company's Gross Margin (16.8%, 14.5%, 13.75%, 13.3%, and 12.9% respectively). NAM derived these percentages from a pro forma it developed which forecasted a minimum of fifteen million dollars in "Earn-Out" compensation over the 5 year term.

- NAM structured the second component, the so-called "First-Year Bonus 13) Amount" and "Second-Year Bonus Amount," to be paid when the Company met certain financial benchmarks. Raider and Fireman were to be paid \$2.5 million if the Gross Margin for the first year of operations exceeded \$3.1 million, and another \$2.5 million if the Gross Margin for the second year of operations exceeded \$6 million. NAM developed this formula to accommodate Fireman and Raider's requirement of no less than \$8 million for the sale of CCMI. Inasmuch as CCMI's gross margin exceeded \$3.1 million in the year prior to the acquisition, if Fireman and Raider merely continued to run CCMI as they had in the past, the \$2.5 million First-Year Bonus Amount was virtually guaranteed. With the promised support, the Second-Year Bonus Amount was also virtually guaranteed. As discussed below, however, not only did NAM refuse the promised support, it dismantled CCMI and made it impossible to meet the bonus targets.
- 14) Indeed, according to NAM's own financial documents, the total projected price for Fireman and Raider's CCMI stock was over \$15 million. Given NAM's commitment to dedicate the resources necessary to grow CCMI's business, and commitment to allow Fireman and Raider to continue to manage the business, all of this money would be paid.
- 15) Almost immediately after the closing, it became evident that NAM did not intend to abide by its representations. By November 1999, NAM had accomplished none of the key requirements CCMI and NAM had collectively agreed upon prior to the closing. To the contrary, in addition to other problems:
 - i. NAM withheld the resources it promised that were essential to maintain and grow CCMI's business. NAM did not fund the expansion of CCMI's business, withheld the support of its sales force, did not facilitate the creation of any long-term relationship with retailers and manufacturers,

- and delayed investing in the software and hardware needed to expand CCMI's business. When NAM finally purchased software, it overpaid, charged CCMI (which materially impacted the earn out), used the software to support other computer system requirements within NAM, and refused input from Fireman and Raider. Furthermore, new products that were key to CCMI's business plan that NAM had agreed to pursue were never developed, and NAM forbid Fireman and Raider to work on them.
- ii. Instead of building on CCMI as an independent unit (consistent with the commitments that induced Fireman and Raider to sell CCMI), without any input from or notice to Fireman and Raider NAM divided and assimilated CCMI's technology, personnel, resources, and know-how into its other businesses. CCMI's key personnel were relocated or fired.
- iii. NAM marginalized Raider and Fireman's role in CCMI's operations, and undermined their authority to manage and run CCMI's business. For instance, it refused to include Raider and Fireman's input in many major decisions relative to CCMI's business. Raider and Fireman had no involvement in the approval of budgets or projections for CCMI or any of CCMI's successors. NAM unilaterally changed the budget, and made it inadequate to fund the agreed upon business plan.
- iv. Despite NAM's pre-closing representations, it ignored Fireman and Raider's efforts to be included in the strategy sessions to define and establish the growth of their business.
- v. Despite the fact that CCMI spent years developing good will associated with its name, NAM changed CCMI's name to SmartSource Direct, and then to the SmartSource iGroup, all within a short period, and all without Raider's and Fireman's consent. Fireman and Raider were ostracized to the point that they only learned about the formation of the iGroup when it was announced to the public.
- 16) As a result of NAM's actions and refusal to abide by the commitments that led Raider and Fireman to sell CCMI to NAM, CCMI and its successor the SmartSource iGroup did not met the \$3.1 million Gross Margin benchmark, and Fireman and Raider were not paid the \$5 million in Bonuses, i.e., the balance of the purchase price.
- 17) NAM also miscalculated the Gross Margin and bonus for the first period of operations, and refused to rectify all of its errors. Therefore, Raider and Fireman did

not receive the appropriate First-Year Bonus Amount even if one were incorrectly to assume that NAM abided by its commitments.

COUNT I (Breach of Contract)

- Fireman and Raider incorporate all of the allegations of this Complaint by 18) reference herein.
- Raider and Fireman agreed to defer a substantial portion of the 19) consideration for their shares of CCMI, and accepted payment in the form of earn-outs.
- The Agreement plainly, specifically, contemplates that NAM will pay for 20) the stock it acquired from Fireman and Raider pursuant to provisions in their Agreement that define the obligation to pay earn-out moneys to Raider and Fireman.
- 21) Fireman and Raider have complied with their obligations under the Agreement.
- 22) NAM violated the covenant of good faith and fair dealing implicit in the Agreement by making it impossible for Fireman and Raider to achieve a Gross Margin sufficient to be paid what they were and are entitled to for the sale of their stock.
 - 23) Raider and Fireman were damaged by NAM's breach of contract.

COUNT II (Violation of Massachusetts General Laws, Chapter 93A, §11)

- 24) Fireman and Raider incorporate all of the allegations of this Complaint by reference herein.
- 25) At all times relevant to this complaint, Fireman, Raider, and NAM were engaged in trade or commerce.

- 26) The acts outlined in this complaint constitute unfair and deceptive acts and practices that violate Mass. Gen. L. ch. 93A.
- 27) The conduct violative of Mass. Gen. L. ch. 93A occurred primarily and substantially within the Commonwealth of Massachusetts.
- 28) Fireman and Raider have suffered a loss of money and property as a consequence of NAM's violations of Mass. Gen. L. ch. 93A.

COUNT III (Request for Declaratory Judgment)

- 29) Raider and Fireman incorporate all of the allegations of this Complaint by reference herein.
- 30) Under the Agreement, Fireman and Raider are to receive earn-out payments based on the Gross Margin of CCMI "or any successor (by law or otherwise)" during the five-year earn-out period.
- 31) An actual controversy has arisen as to which company's Gross Margin

 Fireman and Raider's earn-out payments must be measured against. CCMI's business

 was been assimilated into other News America business groups including, but not limited
 to, the SmartSource iGroup.
- 32) Pursuant to Mass. Gen. L. ch. 231A, § 1 et. seq., Raider and Fireman request a declaratory judgment determining that other News America business units, including the iGroup are "successors," and that the revenues generated by them must be included in the calculation of the Gross Margin that determines the amounts due to Fireman and Raider under the Agreement.

WHEREFORE, Ann Raider and Robert Fireman respectfully request that this Court:

- 1) Enter judgment in their favor on counts I and II of the complaint, and award damages in an amount to be proven at trial;
 - 2) Award triple damages under count II of the complaint;
 - 3) Declare their rights under count III of the complaint;
 - 4) Award them their costs and attorneys' fees; and
- 5) Allow them such other and further relief as the Court deems just and appropriate.

FIREMAN AND RAIDER DEMAND A TRIAL BY JURY ON ALL COUNTS OF THE COMPLAINT SO TRIABLE.

> ANN RAIDER and ROBERT FIREMAN,

By their attorneys

Peters (BBO #550522)

TODD & WELD LLP

28 State Street, 31st Floor

Boston, MA 02109

(617) 720-2626

M MART M CORNELL DATED: August 8:2005:5 ALLS CONCENTRAL SJS 44 (Rev. 11/04)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

	TRUCTIONS ON THE REVERBE OF THE FORME,	DEPEND AND						
I. (a) PLAINTIFFS		DEFENDANTS	t e s					
Robert Fireman ar	nd Ann Raider	News Ameri	ca Marketing In-	Store, Inc.				
(b) County of Residence of (EX	of First Listed Plaintiff Suffolk, MA CCEPT IN U.S. PLAINTIFF CASES)	NOTE: IN LAN	County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY) NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.					
Kevin T. Pet	Address, and Telephone Number) Cers, Esq. (617) 720-2626 LLP Ceer, Boston, MA 02109	Attorneys (If Known)	Tara J. Mysling Holland & Knigh	, Esq. (617) 523-2700 ski, Esq. nt LLP re, Boston, MA 02116				
	ICTION (Place an "X" in One Box Only)	III. CITIZENSHIP OF P		Place an "X" in One Box for Plaintiff				
U.S. Government Plaintiff	☐ 3 Federal Question (U.S. Government Not a Party)		FF DEF 1					
2 U.S. Government Defendant	☑ 4 Diversity (Indicate Citizenship of Parties in Item III)	Citizen of Another State	1 2 Incorporated and Proof Business in A					
		Citizen or Subject of a Foreign Country	3 Foreign Agion	06 06				
IV. NATURE OF SUIT	(Place an "X" in One Box Only) TORTS	FORFEITURE/PENALTY	BANKREYTEY	OTHER STATUTES				
□ 110 Insurance □ 120 Marine □ 130 Miller Act □ 140 Negotiable Instrument □ 150 Recovery of Overpayment & Enforcement of Judgment □ 151 Medicare Act □ 152 Recovery of Defaulted Student Loans (Excl. Veterans) □ 153 Recovery of Overpayment of Veteran's Benefits □ 160 Stockholders' Suits □ 190 Other Contract □ 195 Contract Product Liability □ 196 Franchise □ REAL PROPERTY □ 210 Land Condemnation □ 220 Forcelosure □ 230 Rent Lease & Ejectment □ 240 Torts to Land □ 245 Tort Product Liability □ 290 All Other Real Property	PERSONAL INJURY 310 Airplane 315 Airplane Product Liability 320 Assault, Libel & Slander 330 Federal Employers' Liability 340 Marine 345 Marine Product Liability 350 Motor Vehicle Product Liability 355 Motor Vehicle Product Liability 365 Personal Injury Product Liability Liability 370 Other Fraud 371 Truth in Lending 371 Truth in Lending 375 Motor Vehicle Product Liability 360 Other Personal Injury CIVIL RIGHTS PRISONER PETITIO 441 Voting 442 Employment 443 Housing/ Accommodations 444 Welfare 445 Amer. w/Disabilities Employment 446 Amer. w/Disabilities Other 440 Other Civil Rights	10 20 Other Food & Drug 20 Other Food & Drug 3 625 Drug Related Seizure of Property 21 USC 881 630 Liquor Laws 640 R.R. & Truck 650 Airline Regs. 660 Occupational Safgty/Health 690 Other 1 1 1 1 1 1 1 1 1	422 Appeal Select 158 Windrawal USC 157 Windrawal USC 157 320 Copyrights 830 Patent 840 Trademark SOCIAL SECURITY 861 HIA (1395ff) 862 Black Lung (923) 863 DIWC/DIWW (405(g))	□ 400 State Reapportionment □ 410 Antitrust □ 430 Banks and Banking □ 450 Commerce □ 460 Deportation □ 470 Racketeer Influenced and □ Corrupt Organizations □ 480 Consumer Credit □ 490 Cable/Sat TV □ 810 Selective Service □ 850 Securities/Commodities/ Exchange □ 875 Customer Challenge □ 12 USC 3410 □ 890 Other Statutory Actions □ 891 Agricultural Acts □ 892 Economic Stabilization Act □ 893 Environmental Matters □ 894 Energy Allocation Act □ 895 Freedom of Information Act □ 900 Appeal of Fee Determination Under Equal Access to Justice □ 950 Constitutionality of State Statutes				
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VI. CAUSE OF ACTIO	DN Brief description of cause: dispute			of acquired				
VII. REQUESTED IN COMPLAINT:	CHECK IF THIS IS A CLASS ACTIO UNDER F.R.C.P. 23	N DEMAND \$ > \$5,000,000	CHECK YES only JURY DEMAND:	f demanded in complaint: ☑☑Ves ☐ No				
VIII. RELATED CASI IF ANY	E(S) (See instructions): JUDGE	AM -	DOCKET NUMBER					
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UNITED STATES DISTRICT COURT DISTRICT OF MASSACHUSETTS

Title	of case (nat	me of first party on ea	ch side only)_	Robert Fire	an v.	News A	meric	a Mark	eting Ir	-Store,	L
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Cate	gory in whic	h the case belongs b	ased upon the	numbered nature of	suit code l	isted on th	he civil c	over sheet.	(See local		
	40.1(a)(1)).	•	•								
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	V.	150, 152, 153.									
			ımber of the fir	rule 40.1(g)). If more		prior relat	ed case	has been fi	led in this		
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RES	ss	Holland	l & Knigh	t LLP, 10 St.	James	avenu	е, во	ston, M	A 02116		
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